CULTURAL VALUES AND REGIONAL DEVELOPMENT IN ROMANIA

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Abstract: *The role of culture as a determinant of economic development has been extensively debated in literature. This papers aims at analysing at NUTS 2 level the relationship between cultural values and economic development in Romania. Drawing on the existing literature we select from World Values Survey database two types of cultural traits: ones which are proven to be more favourable to economic development such as, trust, independence etc. and several characteristics which are demonstrated to hamper this process as, for example, obedience. They are used to create a cultural portrait of the eight Romanian development regions and, furthermore, using statistical analyses, to explain the differences in development between them.*
**Keywords**: cultural values; institutions; regional development; Romania

INTRODUCTION

The role of culture as a determinant of economic development has been extensively debated in recent literature. The following sentence synthesizes its importance for capitalist economic development: "When culture and economic logic coincide commercial experimentation flourishes and material progress lifts the masses of people from subsistence" (Boettke, 1996, p.16). Cultural diversity, the values and beliefs that lead to different attitudes impact on the economic behaviour of the individuals since "in economic terms, culture is a tool for the self-regulation of behaviour, and as such it either lowers or raises the costs of enforcing the rules of the game" (Boettke, 2006).

Numerous other studies point out on the relationship between cultural values and institutional factors (North, 1990, 2005; Pejovich, 2003; Tabellini, 2010; Williamson&Mathers, 2011; Mathers&Williamon, 2011).

Romanian researchers consider that "in Romania, the analysis of values is crucial since in the long run, the values adverse to the accumulation of human capital and general welfare are passed on from parents to children, while the transition of values and of mentalities is no longer effected" (Asandului et al., 2012, p.126).

From the perspective of the dominant cultural patterns spread at the European level (see Figure 1 below), Romania is a traditionalist society, focused on survival values, characterized rather by respect for the authority, obedience, fatalism, reluctance to

change, intolerance to deviant groups, which have a negative impact on economic development.
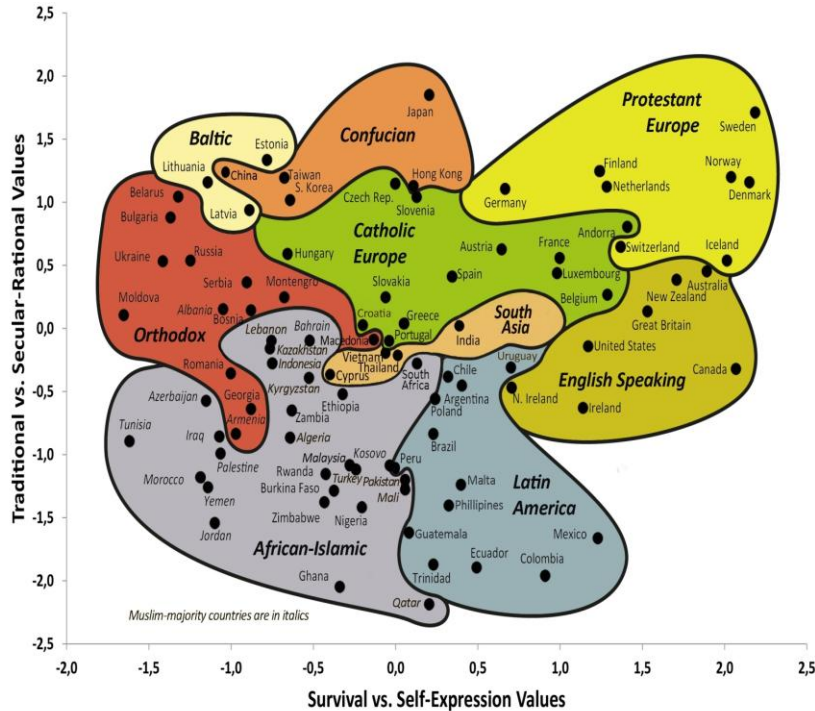
Source: WVS wave 6 (2010-2014), http://www.worldvaluessurvey.org/WVSContents.jsp
Figure 1. Inglehart–Welzel Cultural Map, 2015

The researches carried at regional level point out that the Romanian historical regions are very good examples for what interregional disparities within the same country mean, both in terms of socio-economic development and cultural values. When comparing Transylvania and Moldova, Leru (2009) proves that in Moldova the level of both interpersonal and institutional trust is higher than in Transylvania. Other studies provide a cultural portrait of the Romanian historical regions (Baciu et al, 2009).

This papers aims at analysing at NUTS 2 level the relationship between cultural values and economic development in Romania. Drawing on the existing literature we select from World Values Survey database two types of cultural traits: ones which are proven to be more favourable to economic development such as, trust, independence etc. and several characteristics which are demonstrated to hamper this process as, for example, obedience. They are used to create a cultural portrait of the eight Romanian development regions and, furthermore, using statistical analyses, to explain the differences in development between them.

DATA AND METHOD

In order to analyse the relationship between cultural values and economic development at the level of the eight Romanian development regions, according to NUTS 2 classification, we use regional data on socioeconomic development such as, *Regional GDP per capita*, *Unemployment rate* and *Poverty and social exclusion*, collected from Eurostat regional statistics by NUTS classification database. All data, except for Regional GDP per capita (2011 data), are registered at the level of 2012 for the 8 Romanian development regions.

Data on cultural values were taken from World Values Survey database, wave 6, 2010-2014. The size of the sample for Romania (2012) was 1503. Out of the items included in the database, we have selected certain cultural values which, based on the existing literature, are related, positively or negatively, to development such as *Independence*, *Hard work*, *Feeling of responsibility*, *Obedience*, *Interpersonal trust, Income equality* and *Government responsibility.*

In order to assess values such as, *Independence*, *Hard work*, *Feeling of responsibility* and *Obedience*, the respondents were asked to rate their importance as qualities worth to be learnt by children. For each of them the question addressed was *"Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important?...".* For our analysis we have considered the percentage of the respondents who mentioned these values in their answers.

In order to evaluate *Interpersonal trust,* we have considered the respondents answer "Most people can be trusted" to the question *"Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?".*

Income equality is assessed in the World Values Survey database by considering the respondents views towards the following issue *"Incomes should be made more equal"* vs.
"We need larger income differences as incentives for individual effort". The respondents were asked to rate their opinion on a ten degree scale, where 1 means they agree completely with the first statement and 10 means they agree completely with the second one. In our analysis we included the percentage of the individuals believing that incomes should be made more equal.

For *Government responsibility*, the issue addressed was *"Government should take more responsibility to ensure that everyone is provided for"* vs. *"People should take more responsibility to provide for themselves"*, the respondents being asked to place their view also on a ten degree scale, where 1 means they agree completely with the first statement and 10 means they agree completely with the second one. In our analysis we included the percentage of the individuals agreeing with the first statement.

Since, our analysis is performed at NUTS 2 level and when considering the geographical aspects, the World Values Survey database allows us to cross the respondents answers only with the variable "region where the interview was conducted", in Romania being one of the 42 counties, we proceeded at grouping them according to

NUTS 2 classification and, afterwards, calculated an weighted average and resulting the values at regional level.

To provide an image of the differences existing between the statistical units in the sample, from the point of view of the variables considered in our analysis, we use descriptive statistics.

In order to analyse the relationship between cultural values and economic development at NUTS 2 level in Romania, the principal components analysis (PCA) was used. This method allows highlighting the resemblances and the differences among the Romanian regions using synthetic graphical representation of statistical variables and statistical units in a system of factorial axes (Pintilescu, 2007; Viorică *et al.,* 2011).

RESULTS

Table 1 below presents the results of descriptive statistics for the considered variables.

Table 1 - Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Regional GDP per capita	8	7200	30700	12812.50	7445.12
Unemployment	8	4.2	9.5	6.86	2.27
Poverty and social exclusion	8	31.5	52.3	40.70	8.99
Independence	8	36.55	60.54	42.91	7.55
Hard Work	8	62.04	83.16	77.03	6.78
Feeling of responsibility	8	63.47	82.48	71.03	7.12
Obedience	8	6.33	18.26	12.26	4.07
Interpersonal trust	8	1.62	9.86	7.34	2.54
Income equality	8	12.9	23.12	17.22	3.27
Government responsibility	8	13.51	34.47	24.85	5.96

Source: authors' calculations.

As *Table 1* above shows, there are large discrepancies between the best and the worst performances from the point of view of the analysed variables among the eight Romanian development regions.

The values of Regional GDP per capita range from a minimum of 7200 (in the North East region) to a maximum of 30700 (in Bucharest-Ilfov). Also, the North East region displays the lowest level of unemployment rate (4.2%) and the highest rate of poverty and social exclusion (52.3%) while the Bucharest-Ilfov region registers the lowest level of poverty (31.5%).

When analysing the cultural values, there can be noticed that the highest percentage of people mentioning Independence (60.54%) and Responsibility (82.48%), as important child qualities is in South-West Oltenia while Obedience, the belief that incomes should be more equal and the one that government should take more responsibility to ensure that everyone is provided for are mostly spread in South Muntenia (18.26%, 23.12% and respectively, 34.47%). The respondents in the West

region show the lowest level of interpersonal trust while the ones in South Muntenia declared the highest level of trust.

When performing the PCA, out of the seven cultural values, only three variables were kept in the analysis. The correlation coefficients between the considered variables and the factorial axes and the graphical representation of the variables in the first two factorial axes are presented in *Table 2* and *Figure 2*.

Table 2 - Rotated Component Matrix(a)

	Component	
	1	2
Regional GDP per capita	-.815	-.099
Unemployment	-.083	.916
Obedience	.874	.166
Interpersonal trust	.545	.509
Income equality	.198	.892
Poverty and social exclusion	.845	-.054

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 3 iterations.
Source: Output obtained in SPSS with PCA.

Component Plot in Rotated Space
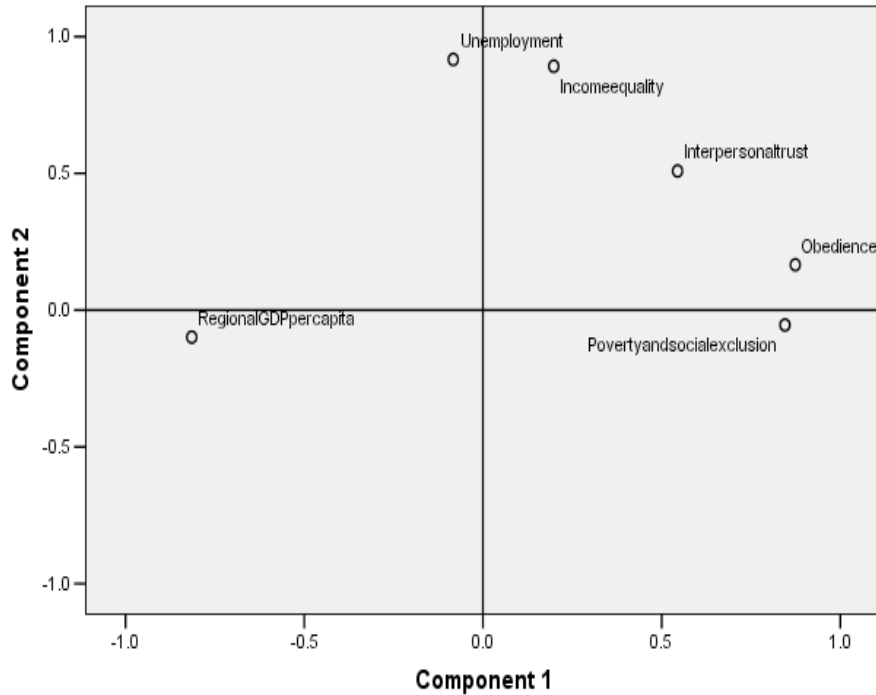
Source: Output obtained in SPSS with PCA.

Figure 2. Variables' Positioning in the First Two Factorial Axes

The first factorial axis groups in its positive quadrant Obedience and Poverty and social exclusion, highlighting a positive relationship between these variables and a negative relationship between them and the variable Regional GDP per capita, which is in the negative quadrant of this axis. The second factorial axis is tied to the variables Unemployment and Income equality.

The eight regions' position, considering the scores on the first two factorial axes, is shown in *Figure 3*. The first axis opposes Bucharest-Ilfov, on one side, and South-East, South Muntenia and North-East, on the other.
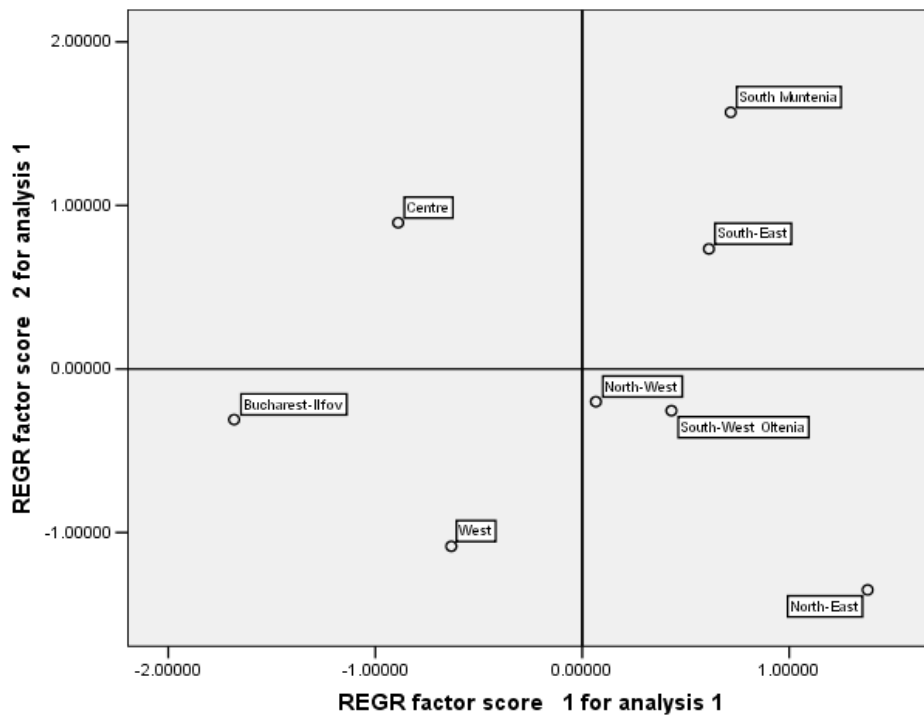
Source: Output obtained in SPSS with PCA.

Figure 3. Regions' Position in the First Two Factorial Axes

Overlaying the two charts of *Figure 2* and *Figure 3* a characterisation of the Romanian development regions is obtained. The Bucharest-Ilfov, Centre and West regions are characterised by a high level of Regional GDP per capital and low levels of Poverty and social exclusion and Obedience in opposition to three other Romanian regions namely, South-East, South-West Oltenia and North-East.

CONCLUSIONS

This paper aimed at analysing at NUTS 2 level the relationship between cultural values and economic development in Romania. Out of the cultural values considered in our analysis, the results of the Principal Components Analysis confirm a positive relationship between obedience and poverty and a negative relationship between obedience and regional development.

These findings are in line with the ones provided by other studies existing in literature, carried at regional or country level. Obedience is proven to diminish the positive effects from capitalism (Mathers&Williamson, 2011) and considered to "limit economic interaction and development by decreasing risk taking, a trait essential to entrepreneurship" (Williamson&Mathers, 2011, p. 315).

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